

CITY OF ALAMEDA

Memorandum

To: Honorable Mayor and
Members of the City Council

Honorable Chair and
Members of the Alameda Reuse and Redevelopment Authority

From: John A. Russo
City Manager/Executive Director

Date: January 4, 2012

Re: Adopt a City Council Resolution Appropriating \$379,000 in Federal HOME Funds and Authorizing the City Manager to Negotiate and Execute the Necessary Documents to Complete the Loan to the Alameda Point Collaborative for Acquisition and Rehabilitation of 240 Corpus Christi, 230 Corpus Christi, 2471 Orion, 2451 Orion, 201 Stardust, 251 Stardust, and 271 Stardust (Property)

Approve ARRA Financing on the Property in the Amount of \$2,279,000

BACKGROUND

On November 2, 2011, the Alameda Reuse and Redevelopment Authority (ARRA) approved a 47-year Legally Binding Agreement (LBA) with the County of Alameda (County) and Alameda Point Collaborative (APC) for 240 Corpus Christi, 230 Corpus Christi, 2471 Orion, 2451 Orion, 201 Stardust, 251 Stardust, and 271 Stardust (Property). The LBA will be executed on January 13, 2012, upon expiration of the existing 12-year sublease between ARRA and Dignity Housing West (DHW) on January 12, 2012.

As part of executing the LBA and assuming responsibility for the Property, APC will be liable for existing debt on the Property. In 1999, the County loaned DHW \$1.6 million to rehabilitate the 30 units comprising the Property. In addition, the California Housing Finance Agency (CalHFA) provided a loan, through the County, for the balance of the rehabilitation work. The County proposes to permit APC to assume its loan; however, the CalHFA loan must be paid off as a condition of APC's acquisition of the Property. With principal and interest, the CalHFA loan amount is \$215,000. APC has requested that the City provide it with a \$379,000 HOME loan as part of a larger acquisition and rehabilitation project. Two hundred and fifteen thousand dollars (\$215,000) would be used to repay the CalHFA loan and the remaining \$164,000 would be provided as a developer fee to APC to manage the acquisition and subsequent rehabilitation work necessary to address 12 years of deferred maintenance. It is expected that the

Honorable Chair and
Members of the Alameda Reuse and Redevelopment Authority

County will provide additional financing in the rehabilitation stage. The proposed HOME Loan Agreement, Regulatory Agreement, Promissory Note and Deed of Trust are on file in the City Clerk's office.

Section 6(b)(ii) of the LBA provides that ". . . Provider may make an Assignment for Security or Mortgage pursuant to Section 21 below, provided such a Transfer shall be effective only if approved by the ARRA and the County." Section 21(d) provides in part "The ARRA's prior written approval shall be required for any financing, which approval shall not be unreasonably withheld." Therefore, it is recommended that the ARRA approve APC's assumption of the County's existing \$1.6 million loan on the Property (to be secured by a Promissory Note and Deed of Trust) and approve the City's HOME loan in the amount of \$379,000. APC will be pursuing additional funding for the rehabilitation portion of the project. In anticipation of this future activity, it is also recommended that ARRA approve additional financing on the property in an amount not to exceed \$300,000 for the rehabilitation work.

DISCUSSION

As required by the federal Base Closure and Community Redevelopment and Homeless Assistance Act of 1994, the ARRA, with the County and an organized group of homeless providers, determined the quantity of residential and commercial square footage that would constitute a reasonable accommodation of the homeless at Alameda Point. As part of that process, 200 existing housing units were allocated to several nonprofit housing providers (Providers) for use by clients transitioning from homelessness. ARRA entered into Interim Subleases with the Providers to permit them to establish "site control" necessary to secure federal, state, and County grant funding to rehabilitate the units for occupancy by homeless individuals and families.

In January 2000, DHW entered into a 12-year Sublease with the ARRA for 30 units of transitional and permanent housing at the Property. In November 2001, DHW and APC entered into an agreement whereby APC agreed to operate DHW's homeless accommodation. With the expiration of DHW's Sublease on January 12, 2012, APC will acquire a leasehold interest in the Property pursuant to the 47-year LBA approved by the ARRA. As part of formally assuming long-term rights and responsibilities for the Property, APC must assume existing obligations, including a \$1.6 million County loan and a \$215,000 CalHFA loan. These funds were used for the initial Property rehabilitation. APC will not be required to repay the County loan. However, the CalHFA loan, provided through the County, must be repaid as a condition of APC acquiring the Property. In addition, because APC was operating the Property at a loss, there are a number of deferred maintenance items. The units are in need of rehabilitation, including repairing and replacing flooring, cabinetry and some plumbing, addressing dry rot issues in stairs and banisters, and installing energy efficient lighting and windows. APC has requested that the City approve a \$379,000 HOME loan to APC to pay off the

Honorable Chair and
Members of the Alameda Reuse and Redevelopment Authority

\$215,000 CalHFA loan and provide \$164,000 as a developer fee to manage the larger acquisition and rehabilitation project.

HOME funds are federal monies that are available for development and rehabilitation of housing affordable to low- and moderate-income individuals and families. The City of Alameda receives its HOME funds as part of the Alameda County HOME consortium. The County Housing and Community Development Department administers the consortium and ensures compliance with HUD HOME program regulations on behalf of member jurisdictions. While each jurisdiction receives an annual "allocation" of HOME funds from the consortium based in part on its population, HUD tracks the expenditure of funds on a consortium-wide basis.

It is proposed that \$379,000 be appropriated and that the City enter into a loan agreement with APC for expenditure of the funds on the Property. The loan would accrue 0% interest, have a 47-year term, and principal payments would be deferred for the loan term. Pursuant to HOME requirements, there would be a 15-year affordability covenant on the Property. It is anticipated that the loan will be forgiven if APC complies with all HOME requirements over the term of the loan. Funds would be used for project expenses, including Property acquisition and payment of a developer fee.

In addition to City approval of the HOME loan, Sections 6(b)(ii) and 21 of the LBA require that the ARRA approve of any financing on the property. Therefore, it is recommended that the ARRA approve APC's assumption of the County's existing \$1.6 million loan on the Property (to be secured by a Promissory Note and Deed of Trust) and approve the City's HOME loan in the amount of \$379,000. APC will be pursuing additional funding for the rehabilitation portion of the project. It is also recommended that ARRA approve additional financing on the property in an amount not to exceed \$300,000 for the rehabilitation work. This results in ARRA approval of financing on the Property in a total amount of \$2,279,000. The ARRA is not responsible for repayment of this financing.

FINANCIAL IMPACT

Funds in the amount of \$379,000 are available in the HOME fund (Fund 235-6540-61060) in the Housing Authority/Housing Department budget. It is requested that \$379,000 be appropriated to be loaned to APC to acquire a leasehold interest in the Property and provide a developer fee to manage the acquisition and subsequent rehabilitation work to maintain the 30 units as transitional and permanent housing affordable to homeless individuals and families. HOME funds are restricted federal funds that can be used solely for affordable housing purposes and, if not committed within two years of Congressional release of funds, are returned to HUD. There is no impact on the City's General Fund from appropriating HOME funds. Additionally, there

Honorable Chair and
Members of the Alameda Reuse and Redevelopment Authority

is no impact on the ARRA's budget from approving the \$2,279,000 in financing on the Property.

ENVIRONMENTAL REVIEW

Acquisition and rehabilitation of the Property for continued use as transitional and permanent affordable housing for homeless individuals and families is exempt from the California Environmental Quality Act (CEQA) pursuant to CEQA Guidelines sections 15301 and 15332. Section 15301 addresses existing facilities and exempts minor alterations to existing structures. Section 15332 addresses in-fill development projects. Furthermore, the project does not trigger any of the exceptions in CEQA Guidelines section 15300.2 in that the project will not have any significant effects due to unusual circumstances or any cumulatively significant impacts and will not adversely impact any designated historic resources.

This project is subject to compliance with the National Environmental Policy Act (NEPA). Pursuant to NEPA, a Statutory Worksheet was completed and it has been determined that the project is categorically excluded subject to Part 58.35 (1) and (3) (A).

RECOMMENDATION

Adopt a City Council Resolution appropriating \$379,000 in federal HOME Funds, including related grant revenues, and authorizing the City Manager to negotiate and execute the necessary documents to complete the loan to Alameda Point Collaborative for the acquisition and rehabilitation of the Property consistent with the loan terms outlined in the staff report.

ARRA approve financing on the Property in the amount of \$2,279,000.

Respectfully submitted,



Michael T. Pucci
Executive Director

By:



Debbie Potter
Housing Development and Programs Manager

Honorable Mayor and
Members of the City Council

January 4, 2012
Page 5 of 5

Honorable Chair and
Members of the Alameda Reuse and Redevelopment Authority

Approved as to funds and account,

A handwritten signature in dark ink, appearing to read "Fred Marsh", with a stylized, cursive script.

Fred Marsh
Controller

Exhibits: on file in the City Clerk's office

Approved as to Form

Asst. CITY ATTORNEY

CITY OF ALAMEDA RESOLUTION NO. _____

APPROPRIATING \$379,000 IN FEDERAL HOME FUNDS AND
AUTHORIZING THE CITY MANAGER TO NEGOTIATE AND
EXECUTE THE NECESSARY DOCUMENTS TO COMPLETE THE
LOAN TO ALAMEDA POINT COLLABORATIVE FOR THE
ACQUISITION AND REHABILITATION OF 240 CORPUS CHRISTI,
230 CORPUS CHRISTI, 2471 ORION, 2451 ORION, 201
STARDUST, 251 STARDUST, AND 271 STARDUST
(PROPERTY)

WHEREAS, on November 2, 2011, the Alameda Reuse and
Redevelopment Authority (ARRA) approved a 47-year Legally Binding
Agreement (LBA) with the County of Alameda (County) and Alameda Point
Collaborative (APC) that contains each of the parties' rights and responsibilities
regarding the Property; and

WHEREAS, the LBA is effective on January 13, 2012, and provides
APC with a leasehold interest in the Property and a condition of acquiring the
leasehold interest in the Property is repayment of an existing loan from CalHFA
in the amount of \$215,000; and

WHEREAS, APC has requested a HOME loan from the City of
Alameda to repay the existing debt and provide \$164,000 towards a developer
fee for the acquisition and rehabilitation of the Property; and

WHEREAS, staff is recommending a \$379,000 loan from federal
HOME Investment Partnership monies that the City obtains through its
membership in the Alameda County HOME Consortium, a program that is
primarily designed to assist local governments to work with nonprofit housing
development organizations to construct new affordable housing and/or to
acquire and rehabilitate housing developments to ensure long-term affordability.

NOW THEREFORE, BE IT RESOLVED by the City Council of the City
of Alameda that the appropriation of \$379,000 from HOME funds to Alameda
Point Collaborative is hereby approved and the City Manager is hereby
authorized and directed to negotiate and execute any and all documents
necessary to complete the transaction.

* * * * *

I, the undersigned, hereby certify that the forgoing Resolution was duly and
regularly adopted and passed by the Council of the City of Alameda during a
special joint meeting of City Council and ARRA on the 4th day of January, 2012,
but the following vote to wit:

AYES:

NOES:

ABSENT:

ABSTENTIONS:

IN WITNESS, WHEREOF, I have hereunto set my hand and affixed the official seal of said City this 5th day of January, 2012.

Lara Weisiger, City Clerk
City of Alameda